

Message Text

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ACTION AGRE-00

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02
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FM USLO PEKING
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INFO AMCONSUL HONG KONG

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PASS AGRICULTURE FOR NOVOTNY

E.O. 11652: N/A
TAGS: EAGR CH
SUBJ: US-PRC GRAIN TRADE

REF: A) STATE 098125, B) PEKING 1099

1. INFORMATION WE HAVE FROM WEATHER DATA AND OBSERVATIONS OF TRAVELERS INDICATES THAT WINTER WHEAT IN PARTS OF SHANTUNG, HOPEH, SHANSI, AND SHENSI PROVINCES IS OR SHOULD BE IN SUBSTANTIALLY BETTER CONDITION THAN LAST YEAR AND PROBABLY ABOVE AVERAGE FOR THIS TIME OF YEAR.

2. THE FIELDS USLO STAFF MEMBERS HAVE SEEN SHOW GENERALLY GOOD STANDS, EXCELLENT GROWTH AND COLOR EXCEPT AROUND KAIFENG, HONAN. OBSERVATIONS WERE MADE MOSTLY FROM TRAINS BETWEEN PEKING-SHIHCHIACHUANG-TAIYUAN-SIAN-LOYANG-CHENGCHOW-KAIFENG. THE SOIL AROUND KAIFENG IS POOR AND SANDY AND THERE WERE MANY FIELDS OF LOW AND IRREGULAR GROWTH AND POOR COLOR. FROM OTHER VEGETATION IN THE VICINITY, WE SUSPECT THIS IS NORMAL FOR THE
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KAIFENG AREA. AN ARGENTINE VISITOR TO SHANGHAI IN MID-MARCH REPORTED THAT WHEAT LOOKED GOOD THERE.

3. NEAR PEKING, WHEAT IN FIELDS OBSERVED RECENTLY SHOWS EXCELLENT STAND AND COLOR. MOST WHEAT IS 10-14 INCHES TALL.

4. CHINESE OFFICIALS AND THE CHINESE PRESS HAVE REPORTED THAT SOME WHEAT ALONG YANGTZE RIVER HAD BEEN DAMAGED BY COLD WEATHER EARLIER THIS SPRING. WE HAVE TALKED TO NO ONE WHO HAS VISITED THE AREA.

5. THE AREA SOWN TO WHEAT IN REGIONS VISITED BY USLO REPRESENTATIVES APPEARS, AND WAS REPORTED BY LOCAL OFFICIALS, TO BE AT NORMAL LEVEL.

6. BARING UNUSUALLY DRY WEATHER BETWEEN NOW AND HARVEST TIME AND/OR TROUBLE WITH INSECTS AND DISEASE, WE EXPECT YIELDS IN MOST OF THE WINTER WHEAT AREA TO BE ABOVE THOSE OF THE LAST TWO YEARS, AND CONSEQUENTLY A TOTAL WHEAT PRODUCTION OF MORE THAN 50 MILLION TONS.

7. WE WERE SURPRISED THAT CHINA BOUGHT WHEAT THIS EARLY IN SEASON WITH WHEAT CROP PROSPECTS HERE BEING GENERALLY FAVORABLE. HOWEVER, DELAYED CANADIAN SHIPMENTS AND POOR SUPPLY PROSPECTS IN SOUTHERN HEMISPHERE PROBABLY PROMPTED EARLY PURCHASES WHILE PRICES STILL FAVORABLE.

8. WE STILL THINK CALENDAR 1978 WHEAT IMPORTS WILL BE BETWEEN 7 AND 10 MILLION TONS, DEPENDING UPON CHINESE GRAIN PRODUCTION DURING THE YEAR. IF LIMITED OFFICIAL USE

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CHINESE TOTAL GRAIN OUTPUT IN 1978 IS 293-295 MILLION TONS (A 3 TO 4 PERCENT INCREASE), WHEAT IMPORTS IN 1978/79 COULD DROP TO 5-6 MILLION TONS. HOWEVER, IF THE CROP IS LOWER IMPORTS COULD GO UP TO AS MUCH AS 10-11 MILLION TONS. IT SEEMS DOUBTFUL THAT CHINA CAN INCREASE PRODUCTION RAPIDLY ENOUGH TO COMPLETELY OFFSET INCREASED DEMAND.

9. WE HAVE SEEN NO GRAIN TRADERS IN PEKING SINCE MARCH 8.

10. WE CAN ADD NOTHING TO INFORMATION ALREADY PROVIDED ABOUT THE CHINESE ATTEMPT TO PURCHASE WHEAT FROM TURKEY, AS ALL THOSE FAMILIAR WITH THE INCIDENT HAVE DEPARTED PEKING. APPROACH WAS EVIDENTLY MADE IN EARLY MARCH.

11. CHINA HAS PURCHASED CORN FROM ARGENTINA BUT WE DO NOT KNOW THE QUANTITY (REF B). WE HAVE HEARD OF NO OTHER PURCHASES OF COARSE GRAINS. WOODCOCK

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